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August 18, 2015

TO: Appointing Authorities, Personnel Officers and Unions Representing
State Employees

FROM: Nancy Johnston, Director

SUBJECT: FY2017 Pay Plan Recommendations

Attached, please find a copy of the Personnel Advisory Board's Pay Plan Recommendations for FY2017 as provided to Governor Nixon on August 17, 2015.

The Board's focus this year is on statewide within-grade increases along with a 1.9% General Structure Adjustment. The recommendations also include several class-specific elements including repositioning, specifically targeted within-grade salary advancements and differentials.

The Board's recommendations will hopefully contribute to a long range compensation approach that is competitive with the labor market and provides recognition of the contributions of state employees.

Attachment

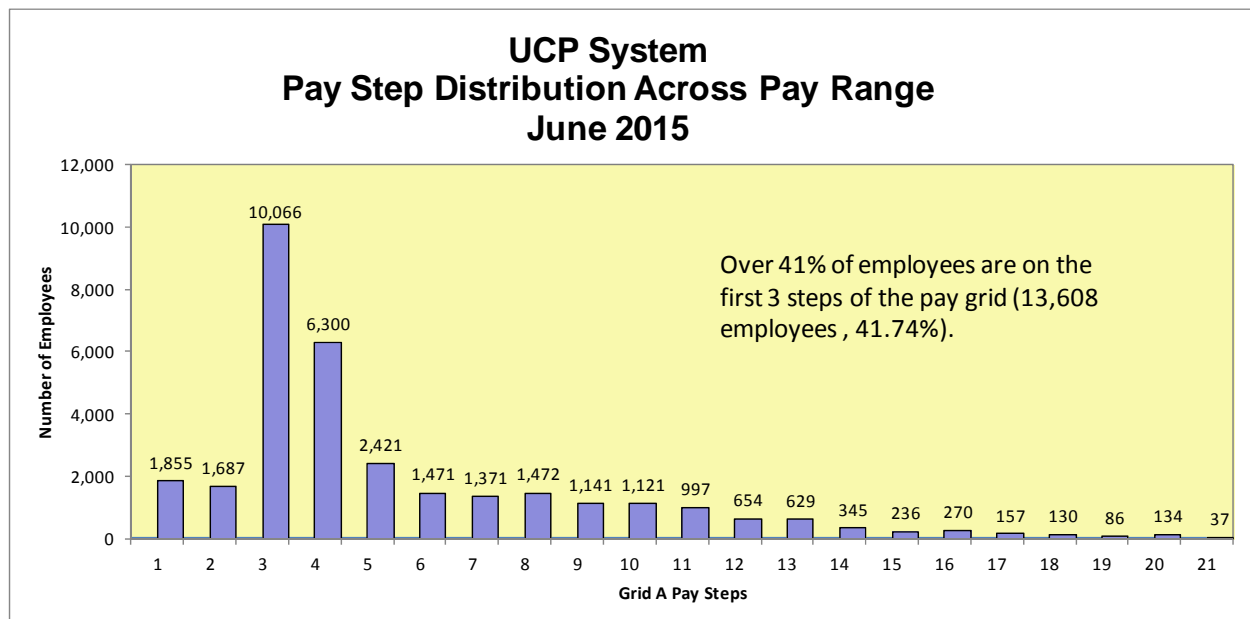
FY 2017 PAY PLAN RECOMMENDATIONS

THE IMPACT OF PAY COMPRESSION
WITHIN-GRADE SALARY ADVANCEMENTS
GENERAL STRUCTURE ADJUSTMENT
REPOSITIONING
TARGETED WITHIN-GRADE SALARY ADVANCEMENTS
PROPOSED REGISTERED NURSE SERIES (DMH)
DIFFERENTIALS
TOTAL ESTIMATED COSTS

The Impact of Pay Compression

The lack of any statewide within-grade (WIG), or step, increases over the past fifteen years has created a situation in which employees with up to fifteen years of experience make exactly the same pay rate as employees who recently completed their probationary period. Just over forty-one percent (41%) of Missouri state employees are on the first three steps of their pay range—despite the fact that the grid averages nineteen (19) steps per range. This situation, where the pay rates of a large group of employees are virtually the same, is known as pay compression.

The chart below illustrates the distribution of employees within the Uniform Classification and Pay (UCP) System across their assigned pay ranges.



In order to illustrate this concept more specifically, the following charts provide more detail related to job classes and employees assigned to pay Range 17 on the UCP A Grid. Range 17 is one of the more commonly used ranges within the UCP System. The following analysis of this pay range is provided for clarification only and the focus on this range is not suggesting that it is necessarily any worse than other ranges within the UCP System. The chart below lists those UCP job classes that are currently assigned to Range 17. The list reflects a broad spectrum of work areas.

Classes Assigned to UCP Range A17

<u>Class Title</u>	<u>Class Title</u>
Academic Teacher I	Librarian I
Administrative Analyst I	Locksmith
Agriculture Market Reporter	Military Security Officer I
Appraiser I	Motor Vehicle Mechanic
Carpenter	Painter
Child Support Specialist	Park Maintenance Worker III
Claims Specialist I	Plumber
Computer Operator II	Recreation Officer I
Contributions Specialist I	Reimbursement Officer I
Corrections Classification Assistant	Seed Analyst II
Electrician	Sheet Metal Worker
Family Support Eligibility Specialist	Taxpayer Services Representative II
Food Service Manager I	Telecommunications Technician I
Habilitation Specialist I	Veterans Service Officer
Health Information Technician II	Vocational Enterprises Supervisor II
Heavy Equipment Operator	Weights & Measures Inspector I
Institutional Activity Coordinator	Workforce Development Specialist I

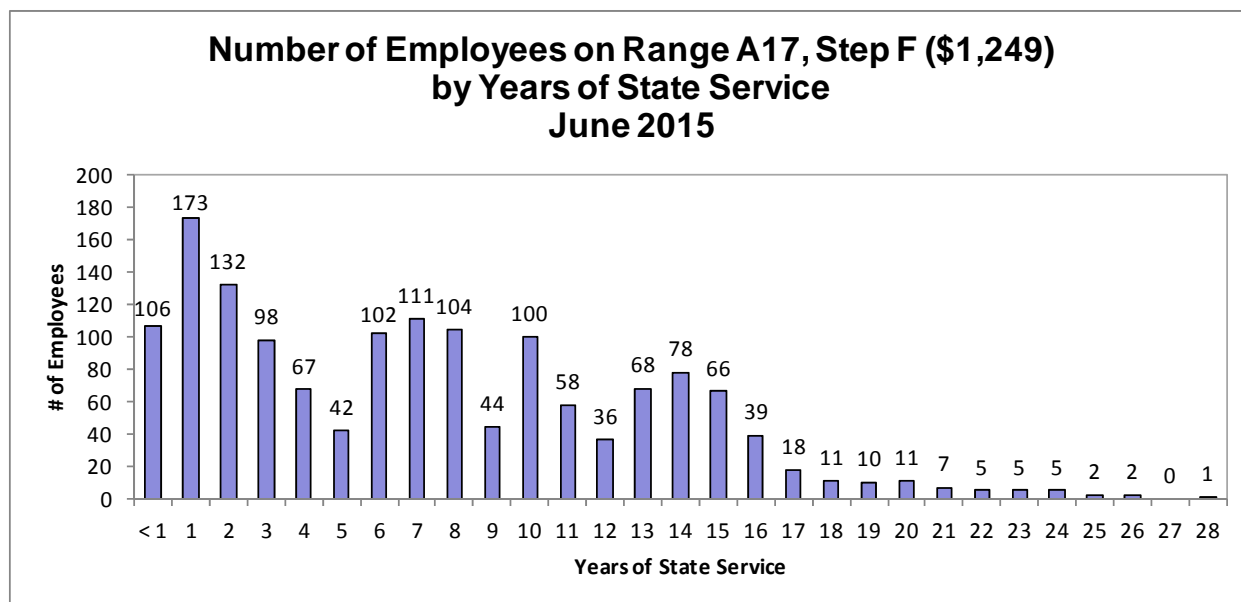
Further examining the distribution of salaries for employees assigned to Range 17, the chart below shows the number of employees assigned to each particular step (D through W) on Range 17.

Range	D	E	F	G	H	I	J	K	L	M
A17	\$1,208.50	\$1,229.00	\$1,249.00	\$1,267.50	\$1,291.00	\$1,313.00	\$1,335.50	\$1,359.50	\$1,382.50	\$1,406.00
Employee Counts	76	7	1,501	74	94	190	56	100	136	109

Range	N	O	P	Q	R	S	T	U	V	W
A17	\$1,431.50	\$1,456.00	\$1,482.00	\$1,508.50	\$1,537.00	\$1,564.50	\$1,593.00	\$1,622.00	\$1,651.00	\$1,682.50
Employee Counts	95	52	36	20	17	9	4	4	1	4

Of the 2,585 employees assigned to UCP Range 17 as of June 30, 2015, approximately 61% were paid on the first three steps of the range (Steps D, E or F).

As shown in the chart above, 1,501 of the 2,585 employees paid on Range 17 are paid on the third step of the Range (Step F). The chart below shows the impact of compression by showing the years of service of all the employees paid on Range 17, Step F. In spite of years of service ranging from less than one year to 28 years, all of these employees are paid the exact same rate (\$1,249 per semi-monthly pay period).



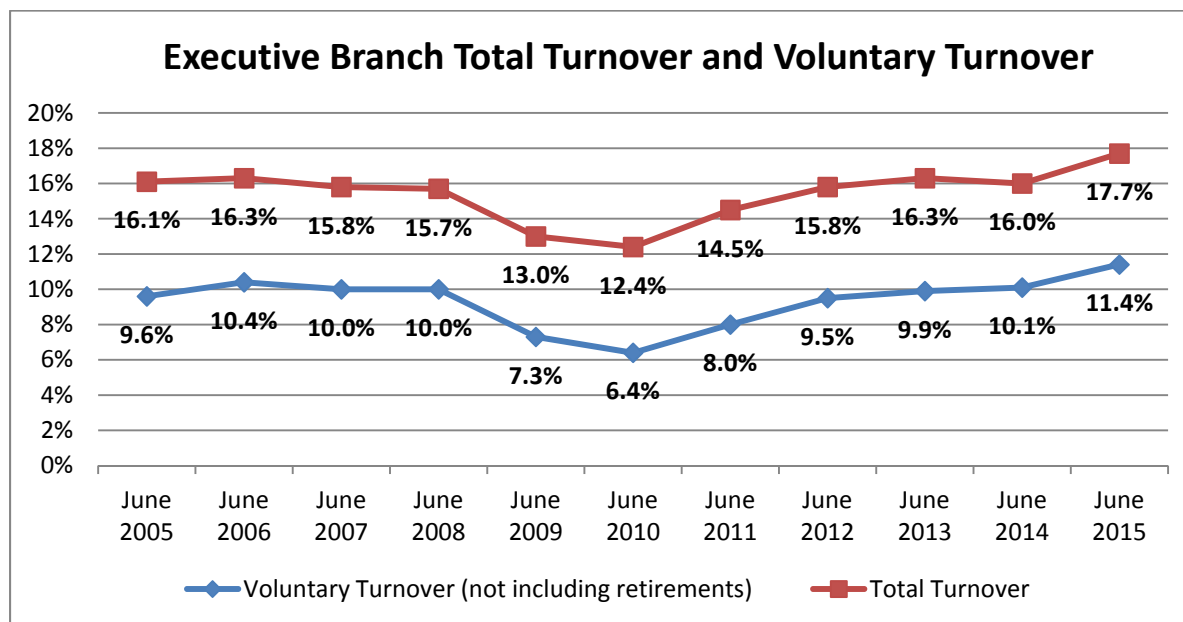
No statewide within-grade, or step, salary advancement has been received since July 1, 2000. The only WIG increase for employees hired after that date may have been the customary two-step increase for successfully completing their probationary period, or an occasional targeted WIG increase for a specific job classification like Corrections Officers. Due to budgetary constraints, even the end of probation increases have not always been possible. Thus, we may have proficient and trained employees with many years of service with the state who receive the exact same salary as co-workers with less than a year's service who have just completed their probationary period.

Typically, as employees acquire experience and proficiency in their jobs, they are more valuable to the state than when they were first hired. This value should be reflected in salaries. Unfortunately, it is not.

This situation potentially leads to morale issues as employees may feel under-valued and under-appreciated. Employees can easily feel that their job commitment, knowledge and experience remains unrecognized from a compensation perspective. The most recently hired employees are, or soon will be, making exactly the same salary even though some may lack the same level of experience.

This situation threatens Missouri's ability to retain its best employees. Employees can see that they have little hope of progressing salary-wise and, as the economy improves, many may seek to leave state employment for better paying jobs. Many state employees have salaries near the bottom of their established pay range. Without within-grade salary advancement, those salaries will remain near the

bottom. The following chart shows the trend in total turnover and total voluntary turnover for the State of Missouri over the past several years:



This situation may also impact the state's ability to effectively recruit new employees. Applicants may see the history of the lack of increases and decide that working for the State of Missouri will lead to reduced future earnings throughout their careers. The state may experience problems in filling positions, may be forced to fill positions with candidates who possess marginal qualifications, or, even worse, be forced to reduce the minimum qualifications for job classes in order to fill them.

Within-Grade Salary Advancements

For employees paid on ranges and steps (table-driven pay), within-grade (WIG) salary advancements provide the only compensation mechanism to move employees through their respective pay ranges. WIG salary advancements are designed to recognize distinctions in salary based upon the experience, knowledge and expertise of employees.

No statewide WIG salary advancement has been granted to Missouri employees since July 1, 2000. Currently, 41 percent of Missouri state employees within the UCP system remain on the bottom three steps of their pay range. The significant low-end pay compression now experienced by Missouri state government is the result of this lack of consistent within-grade salary advancements.

Custody staff, probation and parole assistants for the Department of Corrections and the security aides for the Department of Mental Health were granted job class-specific WIG increases by the legislature in the FY 2009 (July 1, 2008) budget. This allowed many of these employees to advance to the fourth step

of their assigned pay range. Nearly 61 percent of state employees are paid on the first four steps of their pay range.

The Personnel Advisory Board (PAB) is recommending a two-tiered WIG approach for FY 2017. It is hoped that this approach will take moderate, yet meaningful, steps to address low-end pay compression. From an employee perspective, the most significant compression issues are felt by employees who have been with the state for a number of years but may not have received a step increase beyond their initial end of probation increase. In order to directly target this situation, the Board recommends that employees with table-driven pay (paid on a range and a step) with at least seven years of state service will receive a two-step increase. A one-step increase is recommended for all employees with less than seven years of state service. Due to significant variances in the percentages between some of the steps, it is understood that the actual increases received by these employees will vary based on the particular range and step that each employee is currently paid on.

Similarly, for employees whose pay is non-table driven, the PAB is recommending a 1.7 percent increase. Further, those employees with at least seven years of state service whose pay is non-table driven, the PAB is recommending an additional 1.7 percent increase. This approach strives to balance costs with the need to address low-end pay compression. Applying both parts of this plan, all employees with non-table driven pay would receive a 1.7 percent increase and the employees with at least seven years of experience with the state would receive a 3.4 percent total WIG increase.

General Structure Adjustment

An important compensation component relates to the ability to maintain the overall competitiveness of the pay plan. This is primarily accomplished through the use of the General Structure Adjustment (GSA). The GSA is often described as a “cost of living” adjustment. While the cost of living is a factor in determining the amount of the GSA, the adjustment should not be considered solely as a cost of living increase. The primary purpose of the GSA is to maintain the competitiveness of the pay plan relative to other employers.

Historically, the GSA has involved an adjustment to the pay grids themselves. Virtually all employees benefit from this type of increase. Only temporary and seasonal workers are not automatically included. Their increases, if any, are determined by each agency.

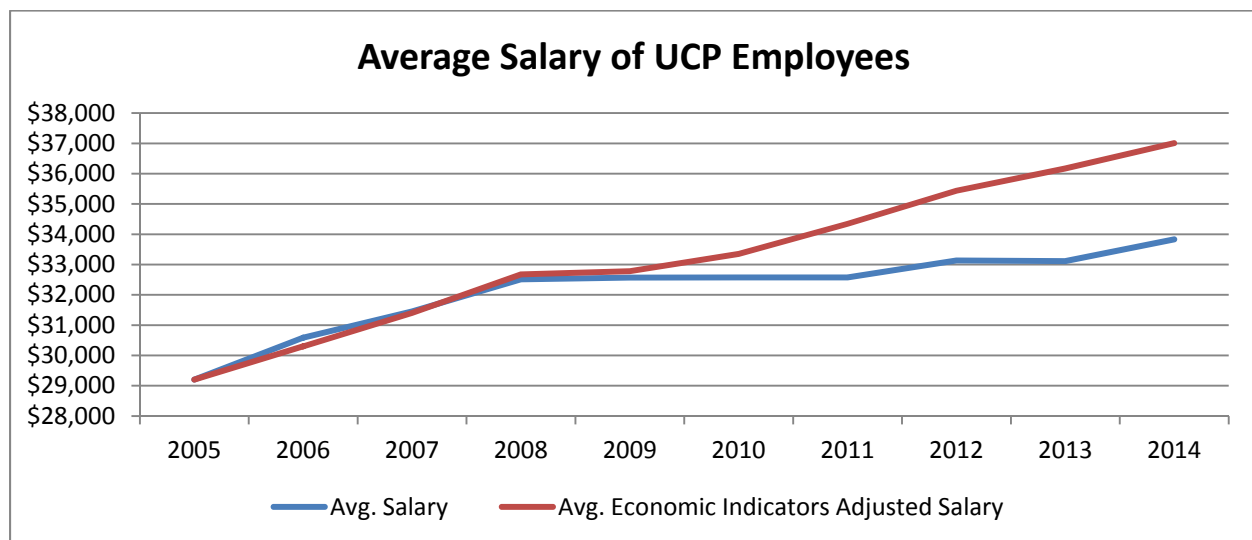
The recommended GSA adjustment is an average of four consistent indicators. These indicators include: the Consumer Price Index (CPI), the Employment Cost Index (ECI), the World at Work Salary Budget Survey and Personal Income (PI) data for the State of Missouri. The following table represents the most current data from these indicators:

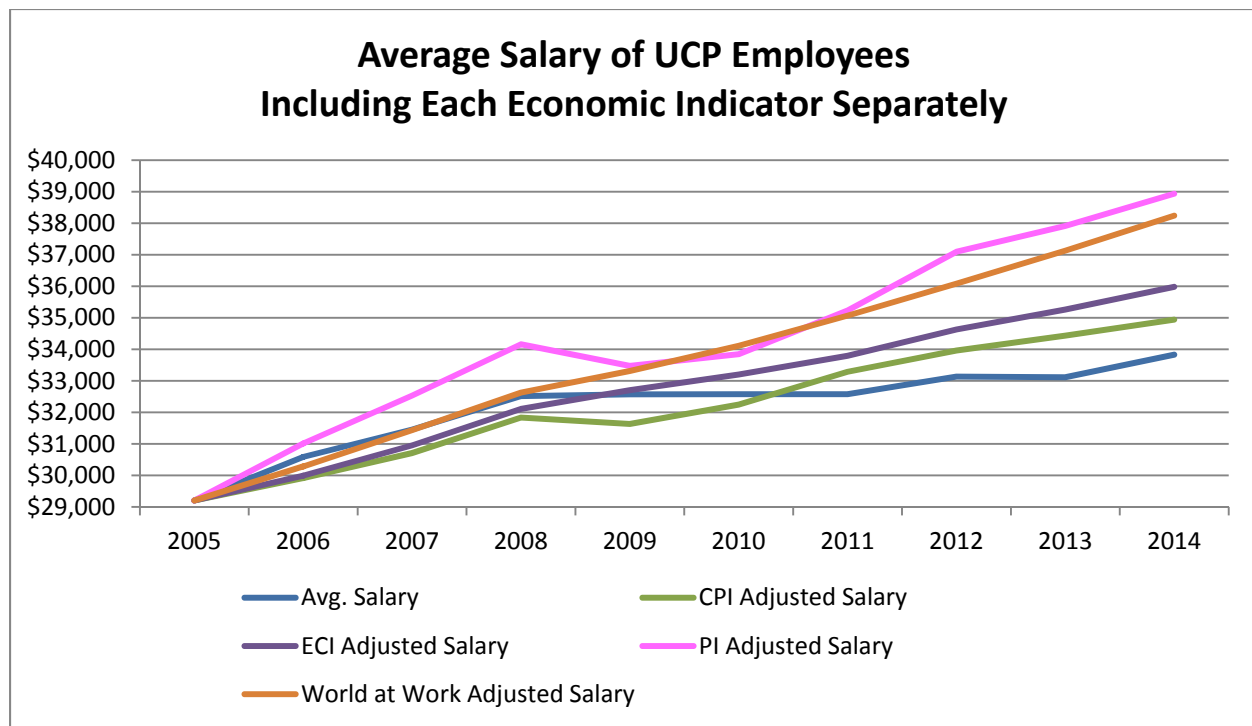
TABLE # 1

General Structure Adjustment Economic Indicators	Percentage
<u>Consumer Price Index (CPI-U)</u> U.S. Department of Labor, Bureau of Labor Statistics All Urban Region Consumers (Midwest) Decrease for month ending June 2015 over June 2014	-0.7%
<u>Employment Cost Index (ECI)</u> U.S. Department of Labor, Bureau of Labor Statistics Midwest (West North Central) Region for Private Industry Workers Wages and Salaries (excludes Benefits) Increase for quarter ending June 2015 over June 2014	1.2%
<u>World at Work Actual Salary Budget Increases</u> Actual Average for 2015 for Non-Exempt Salaried Workers July 2015	3.0%
<u>Personal Income (PI)</u> U.S. Department of Commerce, Bureau of Economic Analysis State of Missouri Increase in Personal Income for quarter ending March 2015 over March 2014	4.0%
Average of the Indicators Listed	1.9%

Based on the current indicators as presented in the above table, the Board recommends a 1.9 percent increase in the GSA as being appropriate.

As shown in the charts below, the average salary of UCP employees has not kept pace recently with the average of these economic indicators, nor with any of these economic indicators separately.





Repositioning

Repositioning is the assignment of a job class to a higher pay range. It is an element of the pay plan designed to address inequitable pay situations, both internally and externally. Repositioning is a possible solution when the pay of the job class is low relative to pay rates of other employers in the labor market, when the distribution of employees in the job class is weighted towards the top of the pay range and when turnover within the job class is high.

After evaluating input from key stakeholders, four job classes are recommended for repositioning. These same repositioning recommendations were made in the FY 2016 Pay Plan Recommendations.

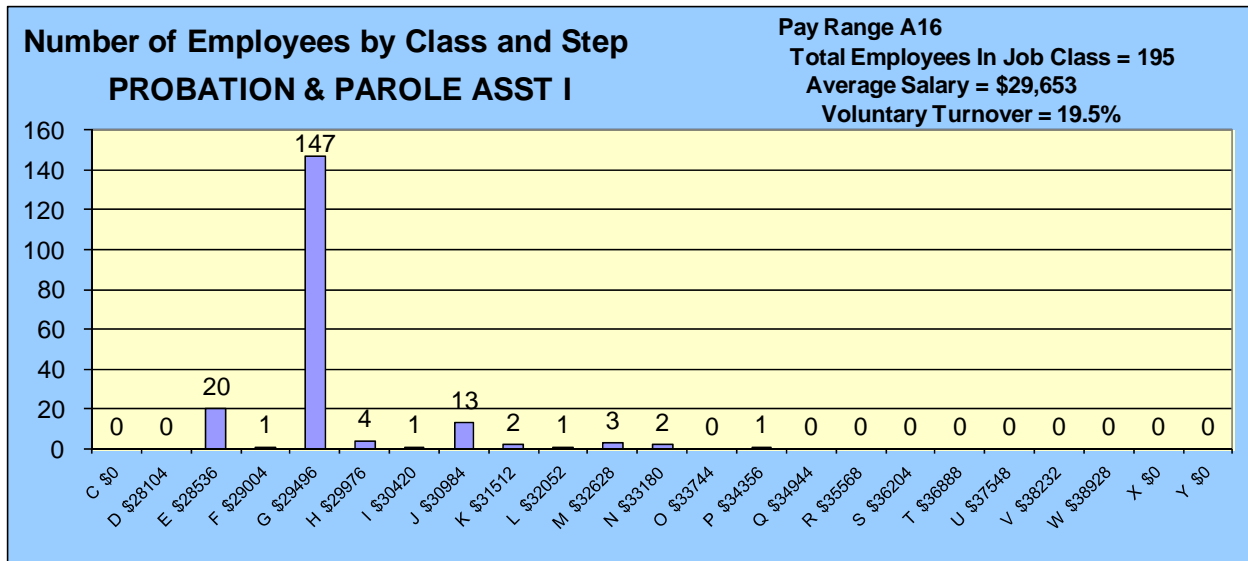
PROBATION AND PAROLE ASSISTANT I (Repositioning from Range 16 to Range 66C)

LICENSED BEHAVIOR ANALYST (Repositioning from Range 29 to Range 31)

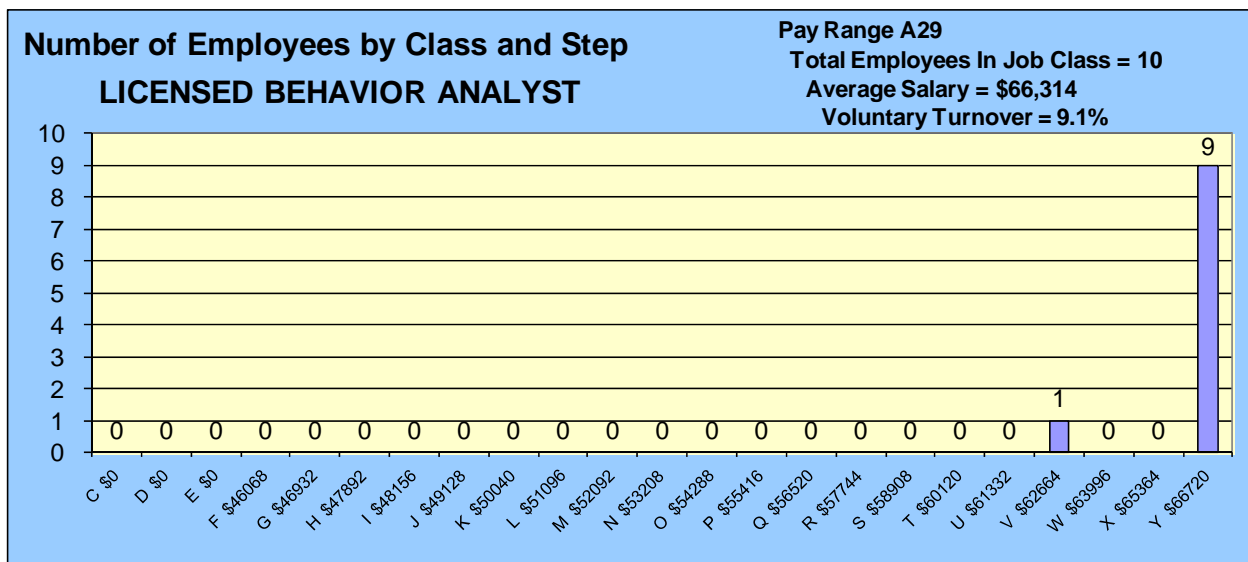
PSYCHOLOGIST I (Repositioning from Range 31 to Range 33)

PSYCHOLOGIST II (Repositioning from Range 33 to Range 35)

During FY 2014, Corrections Officer wages were increased by approximately \$150 per year, requiring new ranges to be developed to accommodate this salary increase. Thus, Probation and Parole Assistants are no longer on the same range as Corrections Officers, even though the job duties and training requirements are similar. Repositioning is recommended for the Probation and Parole Assistant I job class to realign this class with the Corrections Officer I pay range.

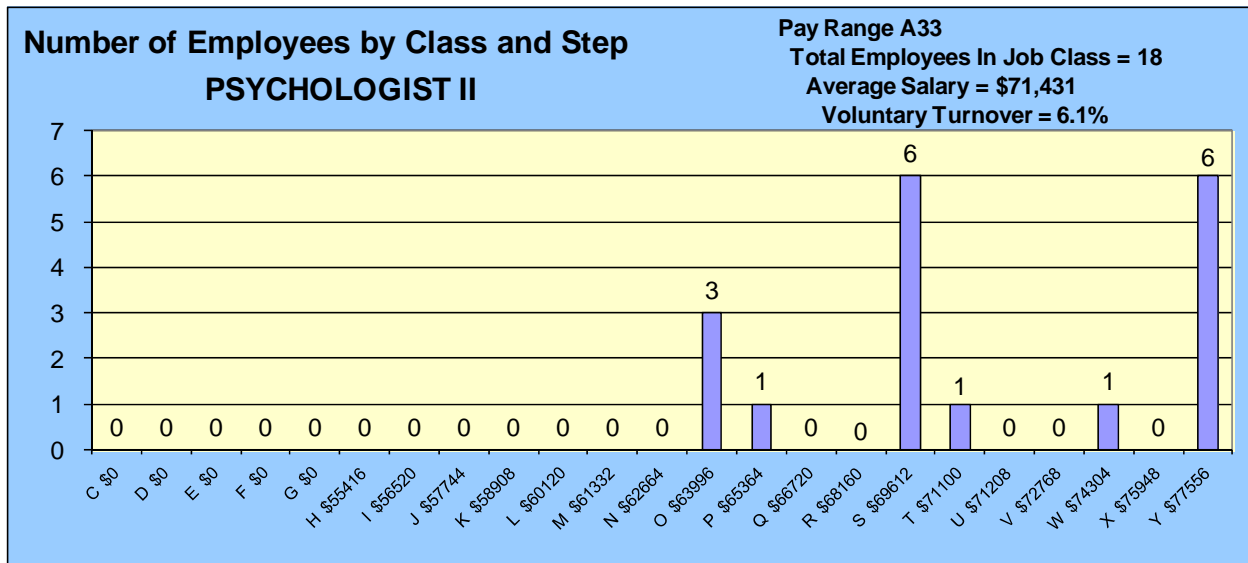
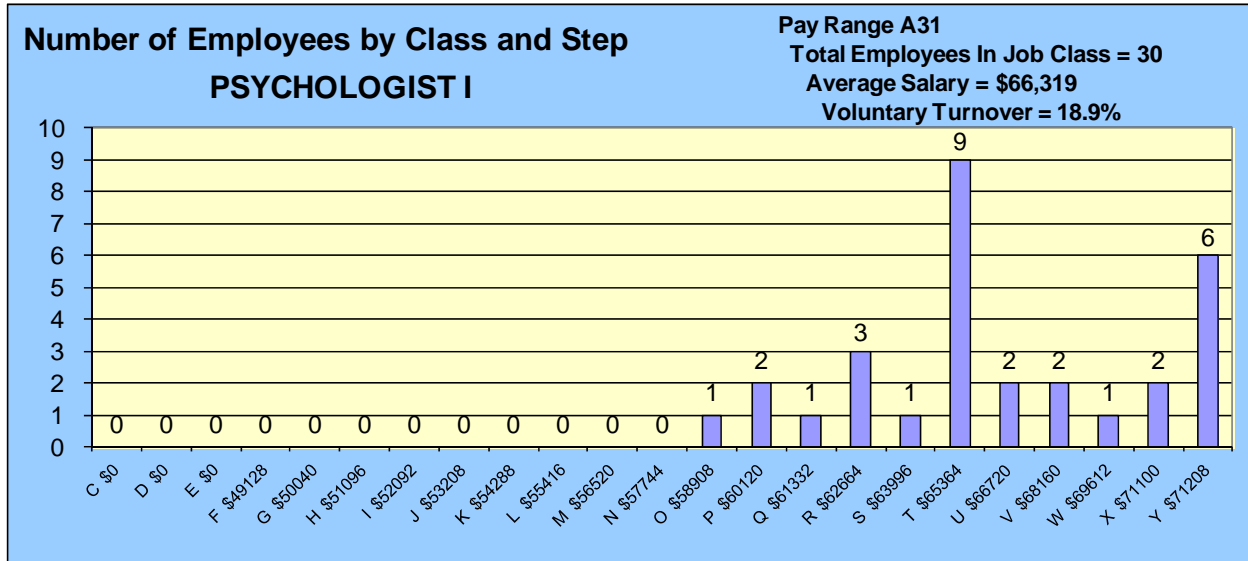


A two range repositioning is recommended for the Licensed Behavior Analyst, Psychologist I and Psychologist II job classes. The minimum qualifications for a Licensed Behavior Analyst require completion of an extensive certification process in order to obtain the necessary license, which includes a Master's degree, to become a Board Certified Behavior Analyst. Recruitment for Licensed Behavior Analysts is a challenge nation-wide due to the small applicant pool. There are approximately ten employees in this class, and all but one is currently paid at the top of their salary range.



The minimum qualifications for Psychologist I and Psychologist II also require licensure, which includes a doctoral degree and completion of at least one year of post-doctoral psychology experience under the supervision of a licensed psychologist. Few, if any, other state job classifications require a doctorate and do not allow work experience to substitute for education. The Department of Mental Health has expressed concern about their increasing inability to fill vacancies with recruitment and retention being

hampered by the wage levels for these job classes. There are approximately forty-eight total employees in the Psychologist I and Psychologist II classes, and their salaries are toward the top of the respective salary ranges.



Targeted Within-Grade Salary Advancements

Targeted within-grade (WIG) salary advancements are another tool to use in cases where a significant pay gap may occur, but the salary range appears appropriate for the job class. Targeted WIGs can be used to help address recruitment challenges, turnover issues and class-specific pay compression.

After evaluating input from key stakeholders, five job classes are recommended for a two-step targeted WIG increase.

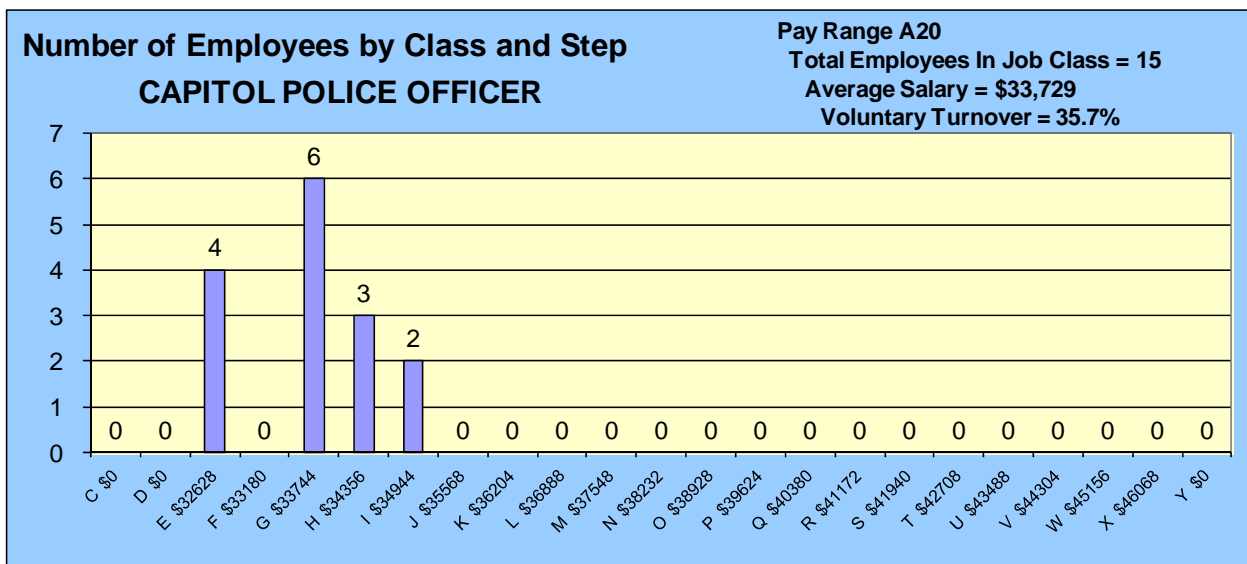
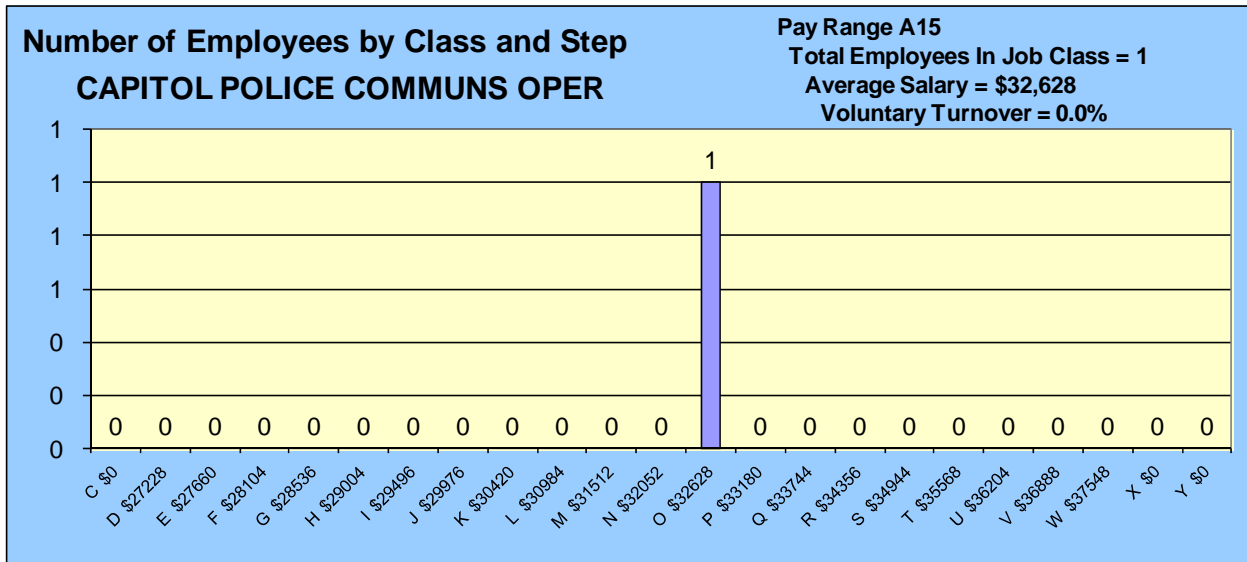
CAPITOL POLICE COMMUNICATIONS OPERATOR (two-step targeted within-grade increase)

CAPITOL POLICE OFFICER (two-step targeted within-grade increase)

CAPITOL POLICE CORPORAL (two-step targeted within-grade increase)

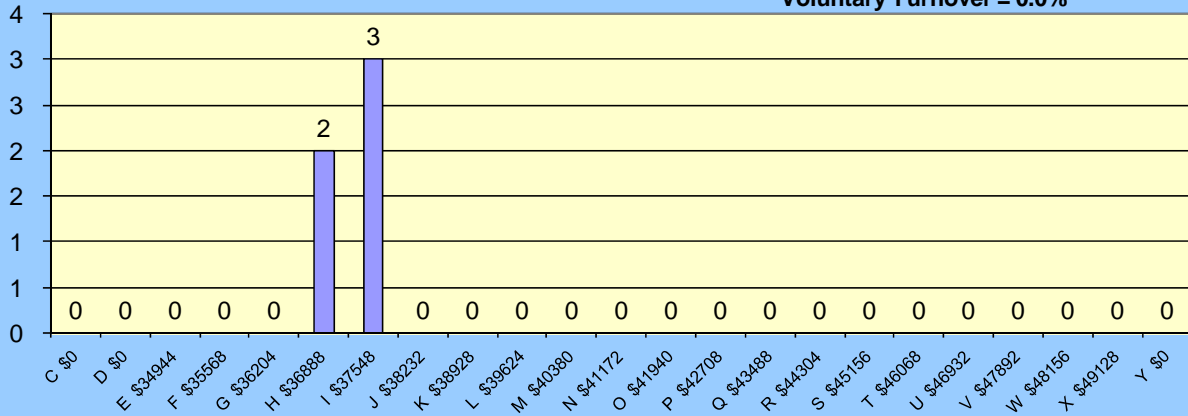
CAPITOL POLICE SERGEANT (two-step targeted within-grade increase)

CAPITOL POLICE LIEUTENANT (two-step targeted within-grade increase)



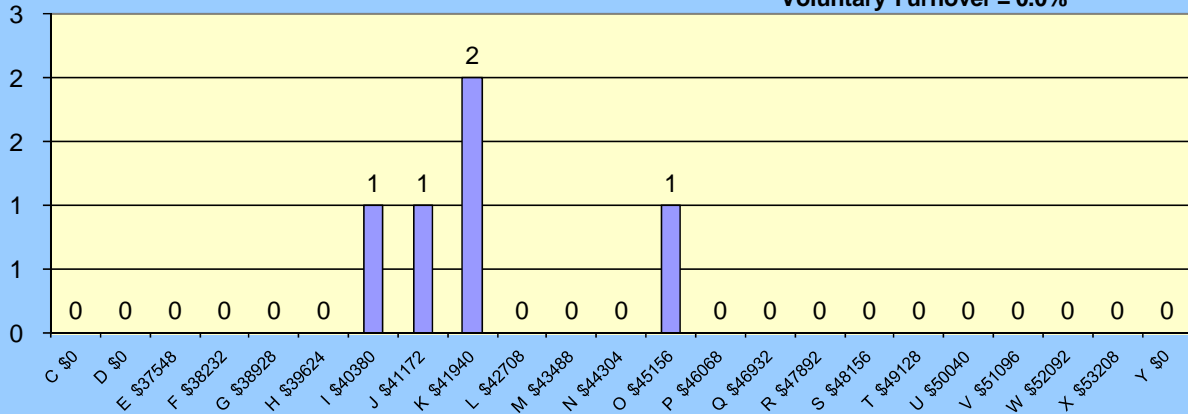
Number of Employees by Class and Step
CAPITOL POLICE CORPORAL

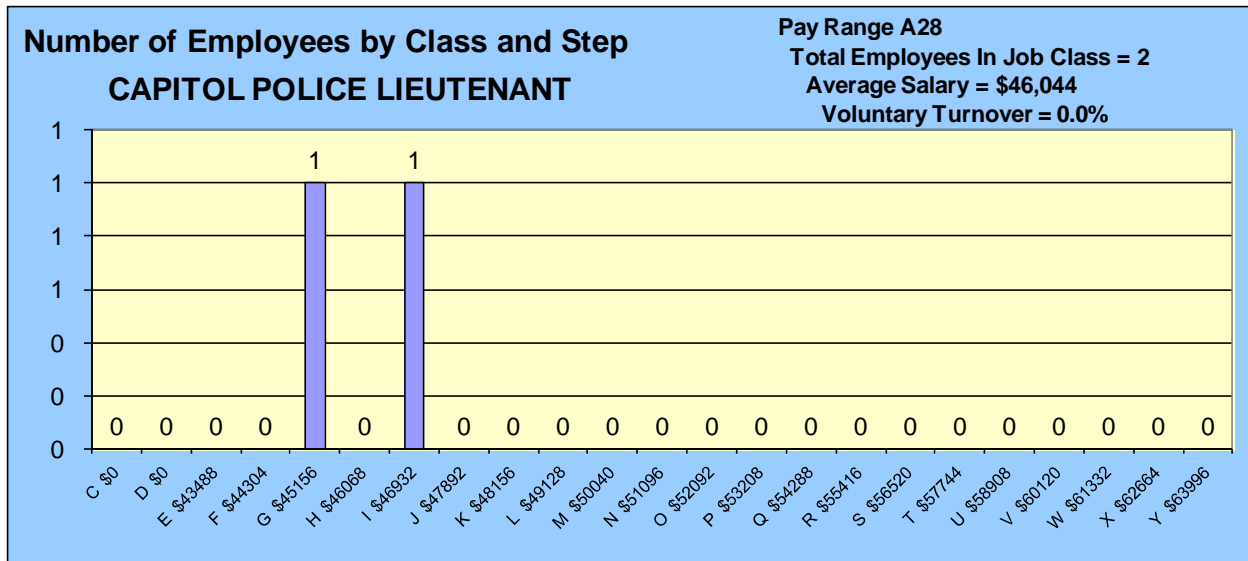
Pay Range A22
 Total Employees In Job Class = 5
 Average Salary = \$37,284
 Voluntary Turnover = 0.0%



Number of Employees by Class and Step
CAPITOL POLICE SERGEANT

Pay Range A24
 Total Employees In Job Class = 5
 Average Salary = \$42,118
 Voluntary Turnover = 0.0%





Proposed Registered Nurse Series (DMH)

The Personnel Advisory Board is supportive of the Department of Mental Health's (DMH) efforts to create a new classification series for registered nurses whose primary patient population is those with behavioral health issues, to include patients who are dually diagnosed with both developmental disabilities and behavioral disorders. Such nurses will be found primarily at DMH's psychiatric facilities, as well as a few in crisis units found at state habilitation centers. Due to the critical nature of these nurses' work in addition to their specialized training in areas such as use of restraint and psychotropic medication, these classes are targeted to be placed at higher pay ranges than the current Registered Nurse series now being used in DMH.

Differentials

The DMH has requested and the Board supports a security differential for registered nurse classes working in maximum security and intermediate security areas. Differentials do not adjust the base pay, but provide additional pay based on specific factors for some of the employees. In this particular case, the differential is based on working in secured areas.

SECURITY DIFFERENTIAL (total differentials of 15% for maximum security and 12% for intermediate security for DMH)

These differentials are designed to help recruitment and retention at the maximum and intermediate security facilities. According to data submitted by DMH for March of 2015, the vacancy rate for registered nurse positions at Fulton State Hospital was approximately 30%.

A security differential for registered nurse classes who work in maximum and intermediate security units at the DMH is recommended. This recommendation would result in the augmentation of security differentials established in FY 2015 or the establishment of new security differentials. The end goal of this recommendation is to reach targeted levels for both the maximum security registered nurse differential (15 percent) and the intermediate security registered nurse differential (12 percent).

Positions in the following job classes, assigned to security areas as mentioned above, are recommended to receive the appropriate differential:

- Registered Nurse
- Registered Nurse Senior
- Registered Nurse Supervisor
- Registered Nurse-Clinical Operations
- Registered Nurse Manager

CRISIS UNIT SECURITY DIFFERENTIAL (10% for DMH, Division of Developmental Disabilities)

A new security differential was proposed by the DMH and is supported by the PAB. This differential would be provided to professional nursing staff (registered nurses) that work in crisis units within the Division of Developmental Disabilities. These crisis units work with clients that oftentimes have a dual diagnosis involving behavioral problems that presents unique challenges for staff. These clients may act out more frequently and may become violent. The Board supports the recommended 10 percent differential for these staff. At this point, there are only two staff that would receive the proposed differential. The DMH estimates a cost of \$12,000 for FY 2017 for implementation of this differential. There is potential that there could be a minimal number of additional staff that could be eligible for this differential in the future.

Total Estimated Cost of Suggested Within-Grade Salary Advancements, General Structure Adjustment, Repositioning, Proposed Registered Nurse Series & Differentials – Based on June 30, 2015 Salaries

UNIFORM CLASSIFICATION & PAY SYSTEM				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase, General	\$12,805,834	\$10,868,106	\$23,673,941	1.7%
Within-Grade Increase, 7 Plus Years of Service	\$8,162,783	\$6,927,623	\$15,090,407	1.1%
General Structure Adjustment (1.9%)	\$13,929,153	\$11,821,449	\$25,750,602	1.9%
Repositioning	\$253,657	\$92,267	\$345,924	
Targeted Within-Grade Increase (Capitol Police)	\$3,732	\$33,000	\$36,732	
Proposed Registered Nurse Series (DMH)	\$873,434	\$356,459	\$1,229,893	
Differentials	\$396,894	\$161,977	\$558,871	
Total UCP System Agencies, Salary Only	\$36,425,487	\$30,260,882	\$66,686,370	
Benefits (31.15%)	\$11,346,539	\$9,426,265	\$20,772,804	
Total UCP System Agencies, Salary plus Benefits	\$47,772,027	\$39,687,147	\$87,459,174	
NON-UCP SYSTEM AGENCIES				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase, General	\$4,978,908	\$8,943,810	\$13,922,718	1.7%
Within-Grade Increase, 7 Plus Years of Service	\$3,173,690	\$5,701,025	\$8,874,715	1.1%
General Structure Adjustment (1.9%)	\$5,415,654	\$9,728,355	\$15,144,009	1.9%
Repositioning	\$0	\$0	\$0	
Targeted Within-Grade Increase (Capitol Police)	\$0	\$0	\$0	
Proposed Registered Nurse Series (DMH)	\$0	\$0	\$0	
Differentials	\$0	\$0	\$0	
Total Non-UCP System Agencies, Salary Only	\$13,568,252	\$24,373,189	\$37,941,441	
Benefits (31.15%)	\$4,226,510	\$7,592,248	\$11,818,759	
Total Non-UCP System Agencies, Salary plus Benefits	\$17,794,762	\$31,965,438	\$49,760,200	
ALL AGENCIES				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase, General	\$17,784,742	\$19,811,916	\$37,596,658	1.7%
Within-Grade Increase, 7 Plus Years of Service	\$11,336,473	\$12,628,648	\$23,965,121	1.1%
General Structure Adjustment (1.9%)	\$19,344,807	\$21,549,803	\$40,894,611	1.9%
Repositioning	\$253,657	\$92,267	\$345,924	
Targeted Within-Grade Increase (Capitol Police)	\$3,732	\$33,000	\$36,732	
Proposed Registered Nurse Series (DMH)	\$873,434	\$356,459	\$1,229,893	
Differentials	\$396,894	\$161,977	\$558,871	
Total All Agencies, Salary Only	\$49,993,739	\$54,634,072	\$104,627,811	
Benefits (31.15%)	\$15,573,050	\$17,018,513	\$32,591,563	
Total All Agencies, Salary plus Benefits	\$65,566,789	\$71,652,585	\$137,219,374	